

# CUMMINGS ECONOMICS

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## **1: THE VITAL ROLE OF DOUGLAS SHIRE IN THE DEVELOPMENT OF TOURISM IN TROPICAL NORTH QUEENSLAND**

ADDRESS TO THE DOUGLAS SHIRE BUSINESS FORUM

by W S (Bill) Cummings

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**2: It will of course come as no surprise that outside the Cairns inner city area, Douglas Shire and the Cairns Northern Beaches area recorded the highest level of visitor numbers in Tropical North Queensland in the 2011 Census.**

**3: Most recent visitor expenditure figures record that outside Cairns Regional Council area, Douglas recorded more than all the other areas combined.**

However, the importance of Douglas Shire to tourism development in the region goes a lot deeper than these statistics.

To explain why, I would like to dive back into the past and in doing so, also elucidate some of the fundamental factors that have shaped tourism growth in the region and are likely to continue shaping it.

**4: The 1972 Australian National Travel Association report on the tourism potential of the region had engendered a great deal of confidence in tourism and led to serious fundraising to set up a professional organisation to pursue its development and I was fortunate enough to be asked to be involved.**

**5: Cairns was initially the major centre of growth based on the transport infrastructure and accommodation that had grown up based on other industries, and the happy coincidence of Green Island, one of the relatively few coral cay islands along the Barrier Reef sitting just off Cairns with easy access.**

**At that time, Port Douglas capacity was quite limited and in years when strong growth led to accommodation in Cairns becoming overbooked, there was a flow-on effect to Port Douglas, followed by leaner years when Cairns accommodation caught up.**

**But over the 1970s, Port Douglas started to develop its own special position in the market.**

**Jim and Jo Wallace arrived in my office one day to discuss running a tour out of Port Douglas using one of the decommissioned post Hobart Bridge disaster ferries, the “Martin Cash”. After discussing some of the alternatives, they settled on the Low Island run.**

**John Trost, ex high level television executive and photographer and his first class journalist wife, Margaret, came to Cairns and made a major contribution to developing Port Douglas’ image. John Morris and his family saw opportunities for investment in tourism.**

**6: However, the very special role Port Douglas and Douglas Shire were to play, started to become evident during the early 1980s.**

**Three things were happening by the late 70s early 80s.**

**International tourism was growing. Apart from well-heeled US travellers doing the Reef, the Rock and the Opera House triangle, Japanese visitation to Australia was rising.**

**Aircraft were getting bigger and it became very evident that Cairns airport was becoming a bottleneck and needed upgrading.**

**The third aspect was that growth in Cairns was leading to plans for high-rise buildings and a vigorous debate emerged about whether Cairns would lose its visitor appeal as it became more urbanised.**

**7: In pursuit of convincing arguments to upgrade the airport to take large wide bodied jets from overseas, a team of international experts assembled by the Pacific Asia Travel Association, was brought in to produce a report on the area's international appeal.**

**8: Although it was not in the final PATA report, answers came out of this team of great significance on the high rise/urbanisation question.**

**One of the US consultants who had observed to a rainforest operator that "the tourist industry is as Byzantine (complicated) as your rainforest" came up with this advice.**

He said, “Realise that the tourist industry is full of market segments. Increasing high-rise density and urbanisation of Cairns will drive away some visitors. On the other hand, it will attract others who want the more intensive nightlife, restaurants and shopping it will bring. The trick for this region is to make sure there are other places in the region that those seeking a quieter, more “grass-roots” resort type experience could go to.

**9:** The Northern Beaches, and especially Port Douglas connected to Cairns airport by the marvellous scenic Cook Highway drive, provided that opportunity.

With the upgraded airport coming on stream in 1984, and the collapse of the Australian dollar in 1986, a major increase of visitor numbers took place in the late 80s. Free flowing capital following banking deregulation saw a major investment take place to accommodate them.

Major growth took place in resort type establishments along the Marlin Coast and in Port Douglas, including Christopher Skase’s Mirage.

**10:** Port Douglas especially was to go on to become a special place for presidents and movie stars. Right through to this day, it maintains a special upmarket image.

Over the years, its stock of accommodation has grown as fast as, and at times faster, than that in the Cairns CBD.

**11: During the 1980s, Douglas Shire was also to play a key role in expanding the region's tourism market when in the aftermath of the road blockade, Cape Tribulation developed something akin to a European 'shrine' status for young overseas and Australian backpackers.**

**12: What I have been talking about comes out of the past, but it serves to identify a whole range of the basic dynamics that underpin tourism growth.**

**Cairns is likely to continue to grow as a major urban centre and I expect tourism to continue to spread up and down the coast.**

**Urbanisation of Port Douglas itself has increased and I think there is a necessity for the Shire to think hard about other locations that offer an alternative for those who wish to have a holiday in a less urbanised environment.**

**The development of air access to the region has become vital. Access to attractions is important and further expansion of sealed road access throughout TNQ can be expected.**

**13: Examination of the visitor profile of Douglas, Northern Beaches, Cairns City area and the Whitsundays, indicates a comparative strength of Douglas in interstate tourism but a weakness in tourism from within Queensland.**

**In international tourism, Douglas is now in a weaker position in backpackers.**

**Douglas faces a challenge and an opportunity to relate better to growing Asian markets that have tended to base in the city.**

**14: Obviously the current low dollar and low interest rate regime opens up the possibilities of an investment surge in the region.**

**The rising sale price of existing accommodation establishments and refurbishment activity signals that rising returns could lead to investment in new stocks of accommodation in the not too distant future.**

**In summary, prospects are rosier than in almost a decade.**

**15: I have been asked as part of this presentation to share some modelling we recently completed for TTNQ into the value of tourism as part of the Douglas Shire economy.**

**Regional economies in Australia are largely dependent for their size on the amount, that, what I call 'base' industries, earn from outside their region - industries that locate activity and population in the region.**

**However in a modern economy, a service industry structure builds up around that activity that often comes to employ more than the direct employment in those base industries.**

**In Douglas Shire, tourism now dominates the earnings of those 'base' industries.**

**16: Classical industry impact modelling includes direct impacts of the industry plus 'flow-on' multipliers.**

**The 'flow-on' multipliers tend to be smaller for smaller economies that tend to import more from outside their boundaries – much of the services for Douglas Shire are supplied out of Cairns and for the region out of southern capitals.**

**17: The modelling indicates that, in Douglas, tourism accounts for some 43% of Gross Regional Product including 'flow-on' effects.**

**Because of lower wages, tourism impact on employment is usually substantially higher than on Gross Regional Product, and in Douglas, tourism is estimated to account directly and indirectly for about 2 out of every 3 jobs.**

**18: Tourism in Douglas accounts for a much higher proportion of the local economy than other areas in the Tropical North Queensland region.**

**I trust my comments are helpful. I will look forward to participating in the discussions.**

**19: End.**